



# ADDENDUM V

## MODIFIED PASS THROUGH

**NOTE: There are now separate checklists for each of the following programs:**

- **Addendum I - LIHTC Program**
- **Addendum III - Special Needs Rental**
- **Addendum IV - Multi-Family Housing Direct Lending**
- **Addendum V - Modified Pass Through Program**

**Please use the checklist applicable to the program for which you are applying.**

The following items **MUST** be submitted if applicable to the project and/or for points to be given to the project. To indicate each exhibit submitted, place a check mark in the box provided and return a copy of this checklist with your application. Each submitted exhibit must be tabbed with the appropriate corresponding number from the checklist. **APPLICANTS APPLYING FOR MORE THAN ONE TYPE OF FINANCING MUST INCLUDE ALL APPLICABLE CHECKLISTS' EXHIBITS. DUPLICATION OF EXHIBITS IS NOT NECESSARY.**

<b>EXHIBIT CHECKLIST</b>		
<b>Addendum I / Addendum V:</b>		
<b>√</b>	<b>#</b>	<b>LIHTC/Modified Pass-Through Program</b>
	1	<b>A narrative description of the project</b> which includes the type of project; location; type of financing; tenants served, bedroom mix; local, federal or state subsidies; and other relevant information.
	2	<b>Land Control</b> - Documentation, signed by all applicable parties, in the form of warranty deed, exclusive option to purchase, land contract, etc., which evidences ability to maintain site control for 120 days from the date of application submission, with extensions available, or until December 31 <sup>st</sup> .
	3	<b>Zoning</b> - Documentation from the appropriate local official on official letterhead, identifying the address of the project, the property's current zoning designation and an explanation of whether or not the project is permitted under the zoning ordinance. For rehabilitation projects a letter from the municipality stating that the zoning is compatible with the proposed use of the buildings is required. If the project is not currently properly zoned, what, if any, steps are in process to obtain proper zoning for the proposed development. The documentation must include a timetable for rezoning.
	4	<b>Site Utility Availability</b> - Documentation from the municipality and/or local utility companies on their letterhead regarding utility availability and adequacy to serve the site, including whether such is currently available or will be available. Points will be awarded to new construction projects that submit a letter from the local community or utility company verifying the existence of water and sewer lines to the property.
	5	<b>Market Data</b> - See Tab C for specific guidelines. Two copies must be submitted and dated within six months of application submission. <b>TO TAKE ADVANTAGE OF THE PRE-REVIEW, SUBMIT A MINIMUM OF 30 DAYS PRIOR TO THE FUNDING ROUND.</b>
	6	<b>Environmental Assessment</b> - Level 1 Environmental Assessment or, if necessary, a Level II with a remediation plan. Dated within six months of application submission. See Tab D for specific requirements. <b>TO TAKE ADVANTAGE OF THE PRE-REVIEW, SUBMIT A MINIMUM OF 30 DAYS PRIOR TO THE FUNDING ROUND.</b>
	7	<b>Lease/Purchase:</b> See LIHTC Policy Bulletin #16 in Tab W.

# EXHIBIT CHECKLIST

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	8	<p><b>Title Insurance Commitment</b> - dated within 180 days of the date of application submission, which sets forth all encumbrances on the property, together with copies of such encumbrances. For scattered sites, include a list of all properties and their addresses. For projects located on federally recognized American Indian Reservations, an attorney's opinion letter regarding the chain of title and land control may be accepted in lieu of the title insurance commitment.</p>
FOR EXHIBITS 9A THROUGH 9F, DUPLICATION OF INFORMATION IS <u>NOT</u> NECESSARY		
	9a	<p><b>Construction Financing</b> - Evidence of application to construction lender showing that application is under serious consideration.</p> <p><b>FOR BONUS POINTS, FIRM COMMITMENT MUST BE DATED WITHIN 30 DAYS OF APPLICATION SUBMISSION.</b></p>
	9b	<p><b>Permanent Financing</b> - Evidence of submission of application to mortgage lender: in the case of an RHS project, the completed AD 622 form (or a letter signed by an official of RHS for Tax Credits); in the case of conventional financing, documentation from the lender(s) stating that a formal application for permanent financing has been submitted and is under serious consideration; and in the case of a MSHDA financed project, evidence that the project has been accepted for processing. All documentation must include mortgage amount, interest rate and term of loan.</p> <p><b>FOR BONUS POINTS, FIRM COMMITMENT MUST BE DATED WITHIN 30 DAYS OF APPLICATION SUBMISSION.</b></p>
	9c	<p><b>Confirmation of Secondary Financing</b> - if applicable. Proposals which rely on some form of secondary financing to achieve feasibility must be accompanied by a detailed explanation and a confirmation from the source of that secondary financing that the additional funds have been applied for and are (or are expected to be) available.</p> <p><b>FOR BONUS POINTS, FIRM COMMITMENT MUST BE DATED WITHIN 30 DAYS OF APPLICATION SUBMISSION.</b></p>
	9d	<p><b>Federal, State or Local Government Financing</b> -</p> <ul style="list-style-type: none"> <li>Letter from local municipality stating that application has been submitted and amount of request, terms and interest rate.</li> <li>If applying for tax credit points for using federal, state, or local financing, the letter must state the amount of the financing, the terms, the interest rate, and that the financing has been approved. Points will be awarded only for long-term, permanent financing. To obtain points for CIP or AHP financing, a commitment letter from the FHLB must be submitted.</li> </ul> <p><b>FOR BONUS POINTS, FIRM COMMITMENT MUST BE DATED WITHIN 30 DAYS OF APPLICATION SUBMISSION.</b></p>
	9e	<p><b>Grants/Other Subsidies</b> - Letter from proposed grantor stating that application has been submitted and amount of request. If applying for points, the letter must state the amount of the grant/subsidy and that it has been approved.</p> <p><b>FOR BONUS POINTS, FIRM COMMITMENT MUST BE DATED WITHIN 30 DAYS OF APPLICATION SUBMISSION.</b></p>
	9f	<p><b>Existing Project Financing</b> (for acquisition/rehab projects only) - Copy of existing mortgage(s), if assumption. For acquisition/rehabilitation projects of existing low income units financed by HUD, RHS, or MSHDA, signed written evidence from the appropriate agency that the transfer of assets has been submitted to the financing agency <u>must</u> accompany the tax credit application.</p>
	9g	<p><b>Syndication</b> – If available.</p>
	10	<p><b>Walkable Community Map</b> – A local map highlighting the project location and features of the surrounding area must be included with an application claiming any of the Walkable Communities points. Maps must be legible and to scale, and specific distances to local features must be indicated.</p>
	11a	<p><b>Owner Experience</b> - MUST COMPLETE FORM PROVIDED ON PAGE 25 OF PRIMARY APPLICATION. Do not send Previous Participation Certification, FmHA 1944-37, or HUD 2530.</p>

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	11b	<b>Management Entity Experience</b> - MUST COMPLETE FORM PROVIDED ON PAGE 26 OF PRIMARY APPLICATION. Previous Participation Certification, FmHA 1944-37, or HUD 2530 will not be considered for management experience points.
	12	<b>Affirmative Fair Housing Marketing Plan</b> - See Tab P for AFHMP guidelines.
	13	<p><b>Nonprofit Documentation</b> - A through J are ALL required if applying under the tax-credit nonprofit set-aside and/or for nonprofit points.</p> <ul style="list-style-type: none"> <li>a) Documentation of Federal 501(c)(3) or (4) status from the IRS</li> <li>b) A certified copy of the Articles of Incorporation dated within 30 days of application submission</li> <li>c) Copy of by-laws</li> <li>d) List of the board of directors, if applicable - To receive points, the list must include the address of each board member</li> <li>e) An executed agreement between the sponsor and the non-profit if the project is a joint venture.</li> <li>f) Description of the nonprofits previous experience in housing. Must complete form provided on Page 27 of Primary Application.</li> <li>g) Current Certificate of Good Standing dated within 30 days of application submission</li> <li>h) Map outlining service area of nonprofit</li> <li>i) Narrative describing the non-profit's involvement in the local community</li> <li>j) Proof of CHDO approval (if applicable)</li> </ul> <p><b>NOTE:</b> Must be more than 50% nonprofit, general partnership ownership</p>
	14	<b>Ownership Entity Formation</b> - Certified copy (dated within 30 days of application submission) of the certificate of limited partnership and any amendments on file with the Department of Labor & Economic Growth, Bureau of Commercial Services, if applying for tax-credit readiness points.
	15	<b>Tax Abatement</b> - Proof of tax abatement or a letter of tax abatement support from local taxing jurisdiction. Certified Copy. See Addendum I pagel-28 for specific filing requirements.)
	16	<b>Site Plan Approval</b> - A letter signed by the appropriate official of the municipality on its letterhead which identifies the project's name and address and states that final site plan approval has been granted; or, if site plan approval has been granted with contingencies, a Statement in the letter stating that the contingencies do not have to be approved by the planning board but may be approved at a staff level. Failure to provide a clear letter which addresses final site plan approval and how contingencies are handled may result in the loss of points for this category. (For rehabilitation projects, a letter from the municipality indicating that the relevant board or commission of the municipality has reviewed the proposal, including the level of rehabilitation work to be completed, the site, and that no further plan approvals are necessary.)
	17	<b>Proof of Local Taxation Rate (if no tax abatement)</b> For acquisition/ rehabilitation a tax bill will meet requirement.
	18	<p><b>Locality / Neighborhood</b> - Letter on official letterhead and signed by an official of the local municipality which verifies that the property is in any of the following designated areas:</p> <ul style="list-style-type: none"> <li>• Empowerment Zone (Tab L)</li> <li>• Enterprise Community (Tab L)</li> <li>• Renaissance Zone (Tab M)</li> <li>• Core Community (See Tab Y)</li> <li>• Renewal Community (See Tab L)</li> <li>• Federally Recognized American Indian Reservation</li> </ul>

# EXHIBIT CHECKLIST

## Addendum I / Addendum V:

### LIHTC/Modified Pass-Through Program

✓	#	
	19	<p><b>Special Needs</b> - Points will be awarded to experienced organizations* that agree to commit 10% or more of a development's units to serving persons with special needs who receive substantial support services.</p> <p><b>To receive points, eight copies of the documentation and exhibits listed below must be provided:</b></p> <p><b>*Experienced organizations must demonstrate and document:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> At least 5 years' experience developing, owning, or managing Low Income Housing Tax Credit properties and/or</li> <li><input type="checkbox"/> At least 5 years' experience providing special needs services;</li> <li><input type="checkbox"/> No outstanding/unresolved compliance issues;</li> <li><input type="checkbox"/> No instances of credit being returned to the Authority;</li> <li><input type="checkbox"/> Qualification for nonprofit participation points under Section D(6) of this Scoring Summary if organization is nonprofit.</li> </ul> <p><b>Eight tabbed copies of exhibits A through H are required:</b> See Addendum III for instructions.</p> <ul style="list-style-type: none"> <li>a. Table of contents</li> <li>b. Project description</li> <li>c. Proposed rents</li> <li>d. Service partner</li> <li>e. Supportive Services Plan</li> <li>f. Memorandum of Understandings (MOU)/Contracts</li> <li>g. Summary of Collaborative Effort</li> <li>h. Other</li> </ul> <p><b>Exhibits 1-34 listed in Addendum III (Special Needs Rental) are <u>NOT</u> required).</b></p>
	20	<p><b>Community Revitalization Plan (if applicable)</b> – Documentation from the appropriate local official, on official letterhead, identifying the address of the property, stating that the property is located in an area for which a community revitalization plan is in place, and demonstrating that the proposed housing project contributes to the plan.</p>
	21	<p><b>Trade Payment Breakdown</b> – For acquisition/rehabilitation projects only.</p>
	22	<p><b>U.S. Department of Treasury Waiver (if applicable for tax-credit acquisition only)</b></p>
	23	<p><b>Projects Serving the Elderly</b> - Must submit a drawing of building in which community space is located to receive points. The total square footage of the community space must be indicated in the drawing. (The drawing must be small enough to fit in a binder, but can be a fold-out. To receive the points, it must also clearly indicate the location and size of the community room.)</p>
	24	<p><b>Preservation Holdback</b> – In addition to applicable exhibits 1 - 30, the following must be submitted:</p> <ul style="list-style-type: none"> <li>a. A current (within 1 year) independently prepared Capital Needs Assessment</li> <li>b. A current (within 6 months) Market study.</li> <li>c. A copy of the project's latest financial audit.</li> <li>d. An income and expense analysis that must include a provision for Replacement Reserve funding that is acceptable to the lender and equity partner, and is not less than the amount stipulated for the Low Income Housing Tax Credit Program.</li> <li>e. Documentation demonstrating a less than 10% increase in rent over previous levels following rehabilitation.</li> <li>f. Documentation demonstrating the preserving of existing project-based subsidies.</li> </ul> <p>See Tab W, Policy 18, for further instructions.</p>
	25	<p><b>High-Speed Internet</b> – New construction projects will be required to provide certification from the architect that all units will be equipped for high-speed internet capability. This may be accomplished by wiring each unit with at least one Category 5 network wall socket or by installing a wireless Local Area Network server and providing each unit with at least one wireless LAN card.</p>

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	26	<b>Verification of use of Michigan Products</b> – To demonstrate the use of products and goods that are manufactured by Michigan-based corporations in the proposed development, an Architects Certificate must be submitted. See Tab HH for certification language requirements.
	27	<p><b>Cool Cities Holdback</b> – In addition to applicable exhibits 1 - 30, the following must be submitted:</p> <ol style="list-style-type: none"> <li>1. Provide a map outlining the entire Cool Cities neighborhood showing where the development is located within the Cool Cities neighborhood boundaries. The map must also outline the Cool Cities neighborhood relative to its: <ol style="list-style-type: none"> <li>a. Arts and culture;</li> <li>b. Pedestrian-friendly environment/pedestrian activity;</li> <li>c. Residential and commercial density;</li> <li>d. Historic district, if applicable; and</li> <li>e. Recreational opportunities/parks</li> </ol> </li> <li>2. Support from the local unit of government: <ol style="list-style-type: none"> <li>a. Provide an executed letter of support from the local government on official letterhead that shows support for the project.</li> </ol> </li> <li>3. Provide a letter on official letterhead executed by a representative of the Cool Cities neighborhood (Catalyst grantee) entity verifying that you have discussed the development with him/her. In this correspondence the grantee must outline the following: <ol style="list-style-type: none"> <li>a. How the development blends with the goals of the Cool Cities neighborhood plan.</li> <li>b. How the development will improve or enhance successful revitalization in the neighborhood.</li> <li>c. The various sources of financing that have been committed within the boundaries of the Cool Cities designation, i.e., federal, state, or local monies, grants, philanthropic donations, conventional financing.</li> </ol> </li> </ol>
	28	<b>Financial Capacity and Creditworthiness</b> – Financial Statements of sponsors and contractors must be submitted for all projects. See LIHTC Policy #20 in Tab W.
	29	<p>A Description of the proposed credit enhancement and a statement as to the amount of tax-exempt bonds (and taxable bonds when appropriate) that is necessary.</p> <p><b>SUBMIT WITH PASS-THROUGH FINANCING ONLY</b></p>
	30	<p>An agreement to pay all costs of issuing the bonds and to compensate the professional team for the issue, including the underwriter, trustee, and bond counsel, at no cost to the Authority.</p> <p><b>SUBMIT WITH PASS-THROUGH FINANCING ONLY</b></p>
	31	<p>For acquisition/rehabilitation of existing properties, a third party "Comprehensive Needs Analysis" identifying and substantiating the scope of rehabilitation and estimated costs.</p> <p><b>SUBMIT WITH PASS-THROUGH FINANCING ONLY</b></p>

## ADDENDUM V

### **Application for Debt Financing under Section 44(c): The “Modified Pass-Through” Program**

The Authority offers “conduit” or “pass-through” financing where the obligations issued are limited rather than general obligations of the agency, are not secured by the Authority's capital reserve capital account and are not backed by the moral obligation of the state. Rather, these bonds are secured solely by the assets of the borrower, the properties being financed and by some form of credit enhancement provided by the borrower. Other than reviewing certain threshold tests for participation in the Housing Tax Credit program, Authority staff does not underwrite these loans.

To make application for financing under this program, the developer must submit a complete application under the Housing Tax Credit program, including an independent market analysis, an Environmental Site Assessment, an Equal Employment Opportunity Plan prepared by the builder, and a check in the amount of the Tax Credit fee. **Developers should follow the checklist for Housing Tax Credit Applications.** In addition, the developer must submit:

- A description of the proposed credit enhancement and a statement as to the amount of tax-exempt bonds (and taxable bonds when appropriate) that is necessary. The proposed credit enhancement may be in the form of a letter of credit, bonding, mortgage insurance, or other appropriate security that will allow the Authority to determine that repayment of the bonds will be "reasonably secure."
- An agreement to pay all costs of issuing the bonds and to compensate the professional team for the issue, including the underwriter, trustee, and bond counsel, at no cost to the Authority. To the extent not disclosed in the Housing Tax Credit application, the full development team, including the bond underwriter, bond trustee, bond counsel, equity partner, and rating agency must be identified.
- For proposals involving the acquisition and rehabilitation of existing properties, the application must include a third party “Comprehensive Needs Analysis” identifying and substantiating the scope of rehabilitation and estimated costs. The construction contract must be at least 40% of the cost of acquiring the land and building(s), and at least two major building systems must be scheduled for replacement or substantial upgrade. If applicable, relocation planning must be completed.
- An application fee equal to the greater of \$4,000 or .0005 times the amount of bonds being requested. For a project located in an eligible distressed area, the required fee is refundable if the bonds are not delivered; in all other cases the fee is non-refundable.

For more information on this program, read the attached “2004 Modified Pass-Through Program” and contact the Director of Legal Affairs, at 517-373-8295.

## **2004 MODIFIED PASS-THROUGH PROGRAM**

### **Introduction**

Section 44c of P.A. 346 of 1966, as amended, (the "Act") (MCL 125.1401 et seq.) allows the Authority to issue bonds to finance multifamily housing under what has been called the "pass-through" program. This program, originally authorized in 1984, is self-contained within Section 44c of the Act.

The pass-through program differs from the Authority's historic role of direct lending in that the obligations issued are limited rather than general obligations of the agency, are not secured by the Authority's capital reserve capital account and are not backed by the moral obligation of the state. Rather, these bonds are secured solely by the assets of the borrower, the properties being financed and by some form of credit enhancement provided by the borrower. Other than reviewing certain threshold tests for participation in the Housing Tax Credit program, Authority staff does not underwrite these loans.

The pass-through program was used heavily until the passage of the Tax Reform Act of 1986 which both impacted the syndication value of residential real estate and required rental restrictions and targeting of units to serve households with incomes at or below 50% of area median. That same legislation placed a cap on the annual volume of private purpose tax-exempt bonds that may be issued by the states. In 1991, the Michigan State Legislature, recognizing that there could be a greater demand for such financings than could be accommodated under this "unified volume cap," further empowered the Authority to make a determination that the use of bond volume cap for a pass-through project would not impair the ability of the agency to carry out its programs or finance other housing developments or units which are targeted to lower income households. As a result, pass-through financings became very limited in Michigan.

In 1998, the Authority, working with partners in the private sector, offered a pilot modified pass-through program. In 1999, the Authority agreed to make the program permanent. Applications may be made at any time. From time to time, the Authority will review allocations of bond cap that it receives from the State Treasurer and the needs of other programs operated by the agency and will consider an allocation of bond cap to this program.

It should be noted that pass-through tax-exempt bond financing for 501(c)(3) nonprofit-sponsored housing projects remains available under the terms of Section 44c of the Act. These proposals require neither unified volume cap nor Housing Tax Credit.

For further information on current program capacity or other matters, contact the Authority as noted at the end of this paper.



### Eligible Projects:

Loans must be for the production of affordable housing units by new construction or rehabilitation, with mandatory participation in the Housing Tax Credit Program. Proposals must meet the threshold requirements for participation in the Housing Tax Credit Program at all times.

For rehabilitation projects, the amount of the construction contract must be at least 40% of the acquisition cost, and two major building systems must be scheduled for replacement or significant upgrade. Consistent with the Housing Tax Credit program, an independent comprehensive needs analysis is required as a part of the application, verifying the proposed scope of rehabilitation and costs. If applicable, relocation planning must be completed.

### Eligible Borrowers:

Borrowers must be eligible entities under the Authority's Act (i.e., limited dividend housing associations or corporations, limited liability corporations, consumer housing cooperatives, and nonprofit housing corporations).

### Income Limits:

At a minimum, proposals must provide for income and rent restrictions on 60% of the units, targeting those units to households with incomes at or below 60% of area median income. As an alternative, proposals may provide for income and rent restrictions on 40% of the units, targeting those units to households with incomes at or below 50% of area median income. Unless the project is designated for elderly occupancy, the applicable percentage of each unit type must be targeted. The developer may, at its sole discretion, target and claim Housing Tax Credit for additional units.

State law requires that a minimum of 20% of the units be targeted, a requirement that is met by either option above. In non-distressed areas and unless the project is designed for elderly occupancy, additional units are subject to income limits under the state law; 15% must be occupied by persons whose incomes do not exceed 125% of median income, and another 15% must be occupied by households with incomes at or below 150% of median income. (All targeted units beyond the minimum of 20% may be counted against these foregoing limitations. This means that if one chooses the 60% at 60% option, this requirement will already have been met. If one chooses the 40% at 50% option, an additional 10% of the units must be rented to tenants with incomes no greater than 150% of median income.)

Proposals for developments to be located in "Eligible Distressed Communities" must provide minimally for income and rent restrictions on 40% of the units, targeting those units to households with incomes at or below 60% of area median income. As an alternative, such proposals may provide for income and rent restrictions on 20% of the units, targeting those units to households with incomes at or below 50% of area median income. In the case of projects not designated for elderly occupancy, the applicable percentage of each unit type must be targeted.

#### Limits on Volume:

There is a project tax-exempt bond limitation of \$9.5 million. Individual sponsors will be excluded from any ownership or participation on a fee basis in multiple project applications that have a combined bond amount of more than \$9.5 million per year, except as outlined below.

The per project and sponsor bond limitation for projects involving rehabilitation of existing structures with more than 150 units may be increased up to 150% of \$9.5 million with the approval of the Executive Director.

If, on July 1, the tax-exempt bond volume cap allocated to the program for that year has not been fully subscribed, sponsors will be permitted to submit a second application and, if approved for the threshold tests for participation in the Housing Tax Credit Program, a second reservation of bond cap may be made.

At the time of bond sale and if the Authority determines that bond cap remains available, the tax-exempt bond allocation may be increased up to 115% of the original application amount so long as the final tax-exempt bond amount does not exceed the \$9.5 million project limitation. Taxable bond series may be included in the proposals to complete the financing.

#### Return on Equity:

The borrower is entitled to a cash distribution equal to a 12 percent return on equity for the first 12-month period following the substantial completion of the development. Thereafter, the allowable return on investment is increased by one percent annually. Return on equity is capped at 25 percent for projects in non-distressed communities. The return on equity is fully cumulative.

#### Reporting Requirements:

By September 1 of each year, each borrower must provide the Authority with a report which includes: a) the incomes of the tenants, b) the estimated economic and social benefits of the housing to the immediate neighborhood, c) the estimated economic and social benefits to the community, d) information with respect to displacement of lower income persons to the extent such occurs, together with steps taken by governmental or private parties to ameliorate the displacement and the results of such efforts, e) any additional information the Authority needs to report the extent of reinvestment by private lenders in the neighborhood resulting from the housing (in turn, the Authority is required to provide this and other information to the Legislature and the Governor under a different section of the Act), f) the age, race, family size and average income of the tenants, and g) the estimated economic impact of the project, including the number of construction jobs created, wages paid, and taxes and payments in lieu of taxes paid. The Authority may inspect and audit project records to monitor compliance with any requirements, including those of the Housing Tax Credit Program.

### Application:

A sponsor wishing to obtain financing under this program must file an application with the Authority that includes all of the following:

1. A complete Housing Tax Credit application, together with an independent market analysis, an Environmental Site Assessment, an Equal Employment Opportunity Plan prepared by the builder, and a check in the amount of the Tax Credit fee.
2. A description of the proposed credit enhancement and a statement as to the amount of tax-exempt bonds (and taxable bonds when appropriate) that is necessary. The proposed credit enhancement may be in the form of a letter of credit, bonding, mortgage insurance, or other appropriate security that will allow the Authority to determine that repayment of the bonds will be "reasonably secure."
3. An agreement to pay all costs of issuing the bonds and to compensate the professional team for the issue, including the underwriter, trustee, and bond counsel, at no cost to the Authority. To the extent not disclosed in the Housing Tax Credit application, the full development team, including the bond underwriter, bond trustee, bond counsel, equity partner, and rating agency must be identified.
4. An application fee of equal to the greater of \$4,000 or .0005 times the amount of bonds being requested. For a project located in an eligible distressed area, the required fee is refundable if the bonds are not delivered; in all other cases the fee is non-refundable.

### Evaluation of Credit Security:

The Authority's legal and finance staffs will review the proposed form of credit enhancement. Based upon the recommendations of staff, the Executive Director and the Authority Board must determine whether repayment of the bonds will be "reasonably secure" under the statute. Financing structures where the entity purchasing the bonds is also providing the credit enhancement are not permitted.

### Equal Employment Opportunity and Other Requirements:

An Equal Employment Opportunity Program in construction will be required pursuant to Section 46 of the Authority's Act. In addition, a modified environmental impact analysis will be conducted in order to comply with Executive Order 1974-4. Some monitoring will occur to assure compliance with state and federally mandated requirements.

### Processing Sequence:

Applications will be accepted at any time on a first-come, first served basis. The Authority will at all times be able to advise prospective developers of 1) the number of proposals in process and the total bond cap represented by those proposals, and 2) the bond cap allocated to the program.

MSHDA staff will proceed to:

- a. Perform a review of the application for threshold requirements to participate under the Housing Tax Credit program, including a review of the market analysis and environmental site assessment.
- b. Review the Equal Employment Opportunity Plan.
- c. Publish a TEFRA Notice in the lesser of the program limit or 115% of the requested bond cap.
- d. Review the proposed credit enhancement.
- e. Prepare an Inducement Report and Resolution for Authority consideration.

MSHDA staff will use its best efforts to complete these threshold reviews within 45 days of receipt. Upon completion of this review, sponsors will be advised in writing by the Deputy Executive Director/Chief Underwriter whether or not the proposal is acceptable and whether bond cap is available. Proposals found unacceptable may be terminated.

Proposals that meet the threshold requirements for participation must maintain this standing throughout the development process. Significant changes in unit mix, amenities, or rents may lead to a re-evaluation of the market analysis threshold determination. In addition, any finding of non-compliance in other Tax Credit developments owned by the sponsor will result in the termination of the proposal.

For proposals that are acceptable and have available bond cap, sponsors will be required to sign, date, and return the letter within 20 days acknowledging an obligation to close the loan (defined as bonds actually issued) within 240 days of the date of the sponsor's signature. In addition, sponsors will be required to acknowledge the risk that proposals that do not close under the current year allocation of bond cap may not be able to proceed if the Authority does not allocate bond cap to the program in the next year.

Proposals that are acceptable but do not have bond cap reserved will be held in line and prioritized based upon the date of application.

To preserve the resource of bond cap and assure that it is not lost to the State of Michigan, proposals must close not later than December 1. Proposals that fail to meet this deadline but have time remaining within the 240 day bond sale requirement may be carried forward to the next year, with the time remaining to close on bonds again commencing on January 1, so long as the Authority makes an allocation of tax-exempt bond volume cap for the new year.

A failure to close on the bond sale within 240 days may result in the termination of the proposal. In situations where bond cap remains available in the current year program, the Executive Director may grant one or more 30-day extensions to this deadline. Proposals that have been terminated may be resubmitted as "new" proposals.

Formal Authority action will occur in three stages as follows:

1. Inducement Resolution: Following a determination that the Housing Tax Credit application and the Modified Pass-Through Program application meets all threshold requirements and to the extent bond cap is available, the Authority will be asked to consider an "inducement resolution". This resolution will be an official action for the purposes of Section 103 of the Internal Revenue Code, but will not constitute a commitment to loan funds under Section 44c of the Act.
2. Commitment Resolution: When evidence of a firm commitment for credit enhancement has been received and reviewed by Authority staff, the Authority will be asked to consider a mortgage loan commitment resolution. Generally, this should occur at the same Authority meeting as the resolution authorizing issuance of the bonds and at a point when a bond sale and closing can reasonably be scheduled within the next 30 days.
3. Resolution Authorizing Issuance of Bonds: This resolution will be presented for consideration once the bond documents are in substantially final form. This generally occurs at the same meeting of the Authority as the mortgage loan commitment resolution.

Fees:

An application fee of the greater of \$4,000 or .0005 times the principal amount of the bonds to be issued must be submitted with all applications. This amount will be credited against a commitment fee, payable when the commitment is issued, of .1% of the principal amount of bonds to be issued. Additionally, when the bonds are issued, the borrower shall pay a fee of .9% of the principal amount of the bonds for a project located in an eligible distressed area, and a fee of 1.9% for a project located in other than an eligible distressed area.

For further information, contact:

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Michigan State Housing Development Authority  
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Lansing, Michigan 48909

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